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Government Under Pressure  
By Donald C. Blaisdell

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PUBLIC AFFAIRS PAMPHLETS

# GOVERNMENT UNDER PRESSURE

DONALD C. BLAISDELL

Are pressure groups interfering  
with the war effort?

What are legitimate and ille-  
gitimate methods of group  
pressure?

How can we check abuses of  
economic power?

PUBLIC AFFAIRS PAMPHLETS  
No. 67

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# GOVERNMENT UNDER PRESSURE

By DONALD C. BLAISDELL

IF democracy is to work, people must be able to get the information which they need as citizens. Otherwise they cannot possibly make wise decisions on the complicated problems of modern life. Especially needed are facts on the structure of the American economic system, on the way it works, and, particularly, on the points where it touches government. Publicity for such facts has always been necessary for the healthy working of our representative democracy.

## **Our Sources of Information Are Inadequate**

This emphasis would not be necessary if the existing means of collecting and spreading such information were adequate. But there are a number of reasons why our sources of information — the newspapers, magazines, and radio — admirable though they are in some respects, leave much to be

This pamphlet is based on the reports of the Special Committee Investigating the National Defense Program (Truman Committee) and a study by the author entitled *Economic Power and Political Pressures*, which was prepared for the Temporary National Economic Committee and published by it as Monograph No. 26.

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desired in presenting the essential facts on the forces which make the wheels of government operate. The kind of information we are speaking about is rarely "spot" news. Hence it tends to be ignored by the daily newspapers. The press is not set up to keep abreast of long-range developments. Its judgments of news value often prevent the reporting of the type of information needed.

Presentation of these facts by periodicals and radio is uneven at best. Neither agency is sufficiently equipped to collect and analyze basic information. The magazines have to depend on free-lance writers, while the radio broadcasting industry can do little without sponsors. Only in books, pamphlets, and public documents do facts of this type occasionally receive the consideration they deserve. Even here the manner of presentation usually limits their circulation to a small group of students and specialists.

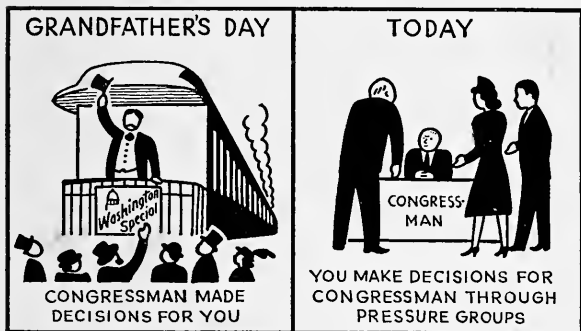
### **Power Politics**

We find, for example, much evidence to show that party politics has had to give way to pressure groups to a greater extent in recent years than ever before. Government in the United States, as elsewhere, involves a continuous battle over the uses to which political authority shall be put. It is natural that not only those who already have special benefits but many of those who receive the least benefits from modern industry should turn more and more to political means to get the rights to which they believe they are entitled. Such persons work through the political parties. But even more they work through nonpartisan interest groups. Thus, to our formal system of geographic representation as provided by the Constitution has been grafted an informal system of occupational representation by pressure groups.

Although parties still elect the President and members of Congress, they are less important than they formerly were. Except during primaries and elections, when they hold the headlines, they are only one of several important factors in the political struggle. In creating issues and in forming public

opinion, the parties are often less effective than the pressure groups. Hardly less important than the Republican and Democratic parties in shaping the issues of recent campaigns, for instance, have been such groups as the American Farm Bureau

## YOU AND YOUR CONGRESSMAN



GRAPHIC ASSOCIATES FOR PUBLIC AFFAIRS COMMITTEE, INC.

Federation, the National Association of Manufacturers, the American Federation of Labor, and the Congress of Industrial Organizations. In addition to the economic pressure groups there are, of course, scores of others reflecting religious, fraternal, or other interests.

### Increased Pressures on Government

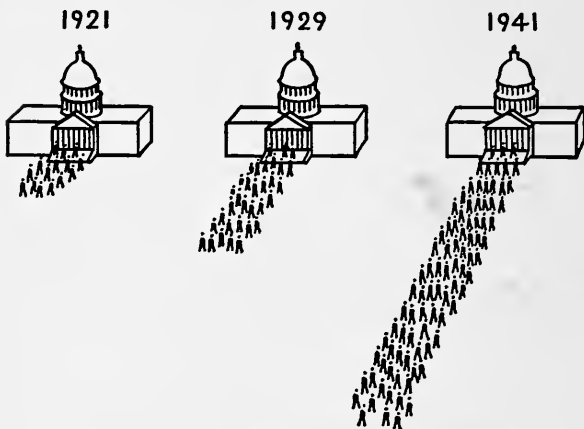
During the past twenty years pressure groups have increased in number, rising from something over a hundred in 1921 to more than twice as many in 1929. In 1941 not less than 375 important pressure groups were listed.\*

Over the same period the variety of interests represented has shown a corresponding increase. Conditions of living are more complex today than they were even twenty years ago. This complexity is reflected in new kinds of groups which are

\*An up-to-date list is published as an appendix to *Economic Power and Political Pressures*, T.N.E.C. Monograph No. 26, (Washington, D. C., Government Printing Office, 1941).

constantly being organized to put pressure on Congress, the federal administrative agencies, and the courts. At the close of the First World War, there were no associations of radio broadcasters, of air transport companies, or of motion picture

## PRESSURE GROUPS ARE STEADILY INCREASING



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producers and distributors. Neither were motorbus operators nor retail druggists organized for influencing government; nor cleaners and dyers, nor marble producers. Now these and many others have budded, blossomed, and grown to become mature pressure groups.

More important, however, is the heightened pressure coming from a few groups — the business community, organized agriculture, and organized labor. Equality for agriculture, the central political issue for farmers for two decades, emerged during the 1920's, when farmers thought they were getting less for their work than other groups. The American Farm Bureau Federation was largely responsible for shaping the issue. So successful has the Federation been politically that for several



years now the nation's farm laws have been based on its idea of equality for agriculture through "parity" prices.

The decisive part played by the American Federation of Labor (A. F. of L.) in getting laws guaranteeing labor's right to collective bargaining is equally well known. The Chamber of Commerce of the United States supplied basic ideas for the 1933 recovery legislation. The familiar catch phrase of recent years, "What helps business helps you," was conceived by the National Association of Manufacturers (N.A.M.) and by it was broadcast throughout the country by radio, newspaper, and billboard advertising. It appears to have had much to do with the repeal in 1939 of the legislation taxing undistributed corporate profits.

Throughout the period marked by the growing concentration of economic power, the business community has changed its political pressure to meet changing threats to its position in the nation's social structure. At the same time, organized labor and organized agriculture have brought increased pressure for consideration of what they felt to be their basic rights.

## PRESSURE GROUPS AND THE WAR

WHEN the nation's security is at stake, this matter of pressure becomes doubly important. Regardless of the gravity of the situation, groups have sought to extract what they consider a "living wage" from the public through government action.

### The Farm Bloc

The farm organizations, for instance, have been active in seeking higher prices for farm products. During 1941 and 1942 Congress passed several measures at the demand of the various farm groups which helped boost agricultural prices. The activities of these groups reached a climax early in 1942 when they succeeded in amending the Price Control Act so as to prevent effective restriction of farm prices under that law.

Since the price of agricultural products had risen much more rapidly than those of other products, this imposed a serious handicap on the authorities seeking to check inflation.\*

### Business Pressure

In the early days of the war two Congressional committees reported on the unfavorable effect of business pressures on the nation's war effort. These were the Special Committee Investigating the National Defense Program, headed by Senator Truman, and the Select Committee Investigating National Defense Migration, under the chairmanship of Representative Tolan.

Since the beginning of the defense program in 1940, many business representatives — popularly known as dollar-a-year men — have held influential posts in the government defense agencies. They have been for the most part able men who have been loaned to the government by private industry because of their knowledge of some commodity or method of production essential to the defense effort. The Truman Committee reports that on January 25, 1942, no less than 255 dollar-a-year men, and 631 others serving "without compensation," held posts in the Office of Production Management. Most of these men were taken over by the War Production Board. Although there has always been a rule which excluded these men from passing on contracts to their own companies, the Truman Committee found that they were nevertheless of great service to their firms. They were in a good position to know what types of contracts the government was about to let and how to proceed to obtain consideration.

Furthermore, all important contracts must be approved by these dollar-a-year men which means that contracts must conform with their theories of business. This does not mean that the dollar-a-year men consciously favor their companies or their methods of doing business, but the Committee expressed fear of "their subconscious tendency, without which they

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\*For further details regarding the effect of farm group pressure, see *How to Check Inflation*, by John M. Clark, Public Affairs Pamphlet No. 64, 1942.

would hardly be human, to judge all matters . . . in the light of their past experiences and convictions."

"It is only natural," the report of the Truman Committee continues, "that such men should believe that only companies of the size and type with which they were associated have the ability to perform defense contracts; that small and intermediate companies ought not be given prime [original] contracts . . . that the producers of strategic materials should not be expected or required to increase their capacities, even at Government expense, where that might result in excess capacity after the war and adversely affect their postwar profits; and that large companies should not be expected or required to convert their existing facilities into defense plants, where they prefer to use their plants to make . . . profits from their civilian business."

This conclusion was borne out by the Tolan Committee which also stressed the fact that "manufacturers have been reluctant to convert their production facilities from civilian to military production, and the defense agencies of the federal government have not required such conversion." It also spoke of the "neglect of the potential capacity of medium-sized and small businesses."

## War Profits

Business pressure was, of course, particularly evident in the discussion of legislation affecting profits. Back in 1917 Judge Gary, president of the United States Steel Corporation, said: "Manufacturers must have reasonable profits in order to do their duty."

We find that business pressure groups were active when Congress, after six months of haggling, passed legislation late in 1940 providing methods of taxing profits and financing new defense plants. This provided liberal, even generous, terms for business. Among the companies which paid no excess profits tax for 1940, we find one with \$70,000,000 worth of defense orders and profits thirty times as large as in the previous year. Another, with \$200,000,000 in defense contracts,

had doubled its earnings over the previous year. Testimony before the Senate Naval Affairs Committee early in 1942 indicated that a leading shipbuilding firm had made profits for the previous year on defense contracts amounting to 50 per cent on the company's total investment, in addition to interest.

### **The Labor Lobby**

Organized labor has also turned increasingly to pressure politics. Speaking before a group of representatives of the United Automobile Workers, meeting in Detroit in February 1942, R. J. Thomas, president of the union, declared that his union had been influential in the abolition of the O.P.M. and the transfer of Director General Knudsen to a post in the Army. He added that labor would not be satisfied until it had representation on the agencies controlling production.

## **BUSINESS PRESSURES**

### **Industry in the Lead**

All of this is, of course, not new. Behind the emergency situation lies a problem that has long been baffling and troublesome. We find, for instance, that business groups have engaged in pressure politics for many years. The N.A.M. was found by a Congressional investigating committee a generation ago "to have been an organization having purposes and aspirations along industrial, commercial, political, educative, legislative, and other lines, so vast and far-reaching as to excite at once admiration and fear — admiration for the genius which conceived them and fear for the ultimate effects which the successful accomplishment of all these ambitions might have in a government such as ours."

At that time the N.A.M. was found to have engaged in such activities as placing an employee of Congress on its payroll to get legislative information, attempting to influence the selection of Congressional committees, and carrying on an ambitious "educational" campaign for the open shop and against labor unions. It took part in political campaigns, back-

ing candidates on its "white list" and working for the defeat of those endorsed by organized labor. These are typical pressure group activities.

The passage of the years has not brought any lessening of political pressure from the business community. Evidence to this effect may be found in connection with legislation guaranteeing labor's right to organize and bargain collectively. From the day on which this provision was proposed, as part of the National Recovery Act in 1933, the N.A.M. opposed it. After the act was passed and approved, E. T. Weir, supported by the N.A.M., legally challenged the Labor Board's statutory powers and was upheld by a federal court.

Business pressure increased when legislation was introduced early in 1934 to strengthen these labor provisions. As finally passed, the measure was a compromise, and for this the N.A.M. took credit, as may be seen from the following quotation from a report to its members:

Secured three important concessions from [Senator] Wagner which made bill less acceptable to labor. Mustered witnesses against bill, conducted nationwide educational campaign against it. Obtained compromise resolution.

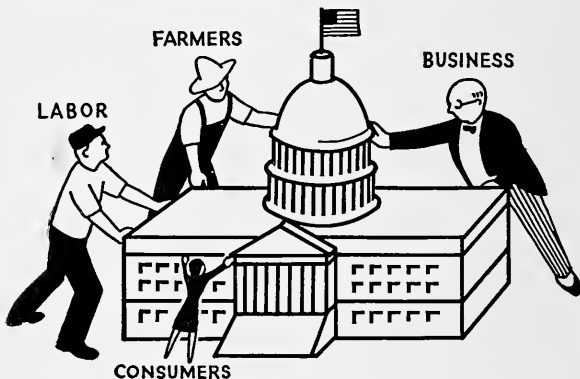
This proved to be just the beginning. From then on the N.A.M. conducted an open campaign of obstruction. It put obstacles in the way of every major decision of the 1934 Labor Relations Board. Employers refused to appear before the Board because it had no subpoena powers. Moreover, the Board had difficulty in establishing the interstate character of a company when charges had been instituted against it, and could not prepare adequate records which the Department of Justice could use for prosecution. The refusal of employers to abide by the Board's decisions in election cases checked its effort to settle industrial disputes amicably. The N.A.M. contested the majority rule principle adopted by the Board, on the premise that it would "deprive the minority which did not desire to deal through the union, of the right of collective bargaining assured them by Section 7 A of the N.I.R.A."

When the new Wagner Labor Relations bill was introduced in 1935, the N.A.M. made every effort to defeat it. But

the National Labor Relations Act became law despite this opposition. In addition to testifying against the bill, N.A.M. representatives instigated "Washington pilgrimages" of businessmen, made personal calls on Congressmen, and used the radio widely. They also attempted to rally newspaper editors to their side, and tried to swing civic and women's groups behind them.

Having failed to prevent passage of the act, the N.A.M. shifted its attack to the courts, arguing that the Constitution gave Congress no authority over employer-employee relations

## OUR CHIEF PRESSURE GROUPS



GRAPHIC ASSOCIATES FOR PUBLIC AFFAIRS COMMITTEE, INC.

in ordinary manufacturing and that the majority rule applied by the National Labor Relations Board was invalid under the "due process" clause. When the Supreme Court in 1937 upheld the act, the N.A.M. and its affiliates once more shifted their ground. They tried to persuade Congress to amend the act and sought to elect Congressmen who favored revision. The House of Representatives elected in 1938 passed bills which would have amended the act drastically. The Senate, however,

failed to go along. But by this time the defense program had taken the center of the stage, and the question of changing the act receded in importance.

### **Electric Utilities**

The pressure politics played by other groups of organized business varies only in degree and adroitness from that of the N.A.M. The electric utilities have been equally aggressive, but, perhaps, less clever. Some of the methods used in 1935 in fighting the Holding Company bill were so crude that a Congressional investigation resulted. A Senate committee found that the utilities had resorted to such tactics as sending telegrams to Congressmen without the knowledge or consent of the signers, and employing "old friends" of legislators to "work" on them. The leadership in this campaign was in the hands of the Committee of Public Utility Executives, together with the Edison Electric Institute and its member companies.

Following passage of the bill, the Institute continued to oppose it, switching its pressure from Congress to the administrative agencies and the courts. In an effort to overturn the decision of Congress, the industry fought the Holding Company Act through the courts and attacked it by propaganda. These were but parts of an attack on a wider front, which included the loan-and-grant provision of the Public Works Administration Act and the Tennessee Valley Authority Act. In all these cases, the Edison Electric Institute is known to have instigated the suits, although it stayed in the background and never appeared as a party.

### **Railroads and Life Insurance**

The practice of lobbying while not appearing to lobby is also followed by other parts of the business community, among them the railroads and the life insurance companies. Twice in fifteen months, in 1934 and 1935, Congress adopted railroad employees' retirement legislation under pressure from the railway labor unions and the A. F. of L. On both occasions the constitutionality of the laws was challenged by the railway

managements. In both cases, the initiator, although not the plaintiff, was the Association of American Railroads.

In 1935 the life insurance companies, acting through the Association of Life Insurance Presidents, opposed the Frazier-Lemke Act for refinancing farm mortgages when it was before Congress. When the measure passed, they continued their opposition by arranging for the act's constitutionality to be tested in the courts. To fight the case, the Association of Life Insurance Presidents retained special counsel costing \$60,000, yet its hand was not disclosed until the testimony of its manager was presented to the T.N.E.C. four years later.

### **Trade Associations**

Representation of their members' interests before the government in Washington is the chief job of most national and regional trade associations. In 1938 there were over 1,200 such organizations in the country, over three-fifths of them having been brought into existence since 1920. According to their own statements, a larger proportion engaged in government relations [lobbying] than in any other activity. Reporting government affairs to their members was more frequently the main job of these trade associations than combating unfair competition. More of them acted as industry's representatives in dealing with legislative bodies than engaged in trade promotion. Moreover, "government relations" was a major activity of a larger proportion of well-financed associations (those with an annual income of \$100,000 or over) than of those less well financed. It appeared more frequently as the major association activity as annual income increased. Similarly, those trade associations which covered a large percentage of their industry's production were more likely to consider government relations as their major duty than were those associations which covered only a small part of their industry.

### **A Super-Pressure Group**

Arrangements by which political pressures were exerted jointly by twelve of the country's largest corporations remained undisclosed until 1938. In that year the La Follette



Civil Liberties Committee found that these twelve firms had been collaborating since 1919 in political pressure and propaganda. This was done through the Special Conference Committee of New York. Since 1933 this Committee has maintained close relations with the N.A.M. and the U. S. Chamber of Commerce, operating through them without publicity rather than independently and openly.

Possibly the most significant activity of the Committee was the support it lent the N.A.M. and the National Industrial Council in coordinating efforts to stimulate employee's representation plans and work councils prior to the Supreme Court decision upholding the National Labor Relations Act, and in intensifying these efforts afterwards. In this connection the Special Conference Committee attempted to get the Department of Labor to modify a report reflecting unfavorably on the motives of employers in setting up employee representation plans.

The Committee had good sources of information on the status of legislation and was favorably situated to render advice to key administrative officials. In fact, the Industrial Relations Committee of the Department of Commerce's Business Advisory Council was nothing but the Special Conference Committee under another name.

## FARMERS AND WAGE EARNERS

ORGANIZED agriculture and organized labor have likewise engaged in pressure politics on an increasing scale. Business as a rule has attempted to restrict the use of federal authority. Labor and agriculture have sought to extend federal authority into new fields.

Since 1921 the American Farm Bureau Federation has taken the lead once held by the National Grange in representing the farmers' interests. But neither the National Grange nor the Farmers' Union has curtailed perceptibly its pressure-group activities. On the contrary, all three of these farm

organizations have been more active in the political struggle during the last ten years than ever before.

### Labor Unions

A similar increase in lobbying may be found on the part of organized labor. This was probably inevitable. When once it had appealed to the federal government for aid in protecting its interests, labor could hardly escape being drawn into the political struggle. When business organized to resist the use of public authority in the field of industrial relations, labor felt it had no choice but to overcome that resistance. We have seen how organized business has attempted to whittle down labor's rights in every sector of the political arena — Congress, administrative agencies, and the courts. Labor has countered by bringing pressure on government and administrative agencies to enforce these rights to the full.

#### THE A. F. OF L.

When the A. F. of L. was organized in 1886, it was based on the belief of Samuel Gompers and his associates that they should seek immediate and tangible ends, such as the eight-hour day and ample benefit funds for mutual assistance in strikes, and not try to deal with the larger questions of the concentration of wealth, the growing power of corporations, and the economic status of labor. On such questions, and on the matter of tactics, earlier organizations like the Knights of Labor had foundered. The A. F. of L. decided that working people can best be organized nationally on the basis of a loose federation of craft unions; that specific aims, such as shorter hours, higher wages, and better working conditions, are more effective in sustaining member interest and support than broader and possibly higher sounding principles; and that direct political nomination and support of labor candidates is of doubtful value in realizing labor's aims.

Article II of the Federation's constitution declares that the Federation aims to encourage and form labor unions in order to "secure legislation in the interest of the working masses";

establishment of national and international trade unions "based upon a strict recognition of the autonomy of each trade"; the establishment of departments composed of unions of the same industry; aid and encouragement of the labor press of America; and an American federation of all trade unions "to aid and assist each other, to aid and encourage the sale of union label goods, and to secure legislation in the interest of the working people, and influence public opinion by peaceful and legal methods, in favor of organized labor."

### THE C.I.O.

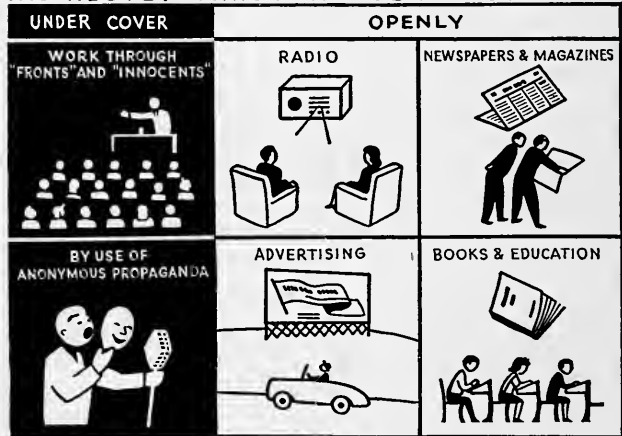
For nearly half a century after its founding in 1886 the A. F. of L. dominated the organized labor movement. Since 1935, however, the Federation has had to share its position with the Congress of Industrial Organizations. In that year John L. Lewis, eleventh vice president of the A. F. of L. and president of the United Mine Workers, resigned his Federation post, and, with the heads of seven other A. F. of L. unions, set up the C.I.O.

Having broken with the A. F. of L., the leaders of the C.I.O. widened their program. Wherever they found workers willing to join, they enrolled them. They set up craft as well as industrial unions. Open warfare between the two movements resulted. Each invaded the other's territory in strenuous efforts to lengthen membership lists. Bitter exchanges between Green and Lewis and between other leaders of the rival organizations have widened and deepened the differences over how best to organize the nation's workers. The A. F. of L. has resented the popular antagonism to labor unions following use of the "sit-down" strike by the C.I.O. Simultaneously, the C.I.O. charged that the forward march of American labor was being impeded by the selfishness of craft union officials who fear for their positions if the C.I.O. and A. F. of L. should be reunited in a single organization. Several attempts have been made to iron out the differences between the two organizations, but without success. Neither President Roosevelt nor his Secretary of Labor, Frances Perkins, has been able to

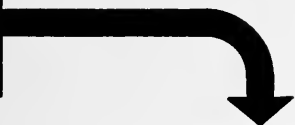
# HOW THE PRESSURE



## INDIRECTLY THROUGH PUBLIC OPINION

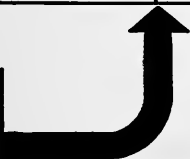


# RE GROUPS WORK



## DIRECTLY TO CONGRESS & GOVERNMENT AGENCIES

OPENLY		UNDER COVER
<p><b>INFLUENCE ON PARTY PLATFORM</b></p>	<p><b>ELECTION OF FRIENDLY CANDIDATES</b></p>	<p><b>BY USE OF SOCIAL POSITION TO INFLUENCE PUBLIC SERVANTS &amp; CONGRESSMEN</b></p>
<p><b>INFLUENCE ON LEGISLATIVE COMMITTEES</b></p>	<p><b>INFLUENCE ON ADMINISTRATIVE AGENCIES</b></p>	<p><b>BY HAVING REPRESENTATIVES IN KEY ADMINISTRATIVE POSITIONS</b></p>



reconcile them. Two of the original unions which broke away from the A. F. of L. in 1935 have returned to it.\*

### OTHER LABOR ORGANIZATIONS

In addition to the A. F. of L. and the C.I.O., there are a number of unaffiliated or independent international unions. The largest of these are the railroad brotherhoods. They have never affiliated with the A. F. of L., but have cooperated freely with A. F. of L. unions. Although their problems are, in many respects, not unlike those of unions in private industry, the fact that the railroads are a public utility brought the government into the railroad labor picture at an earlier date. One consequence was to create a difference regarding compulsory arbitration of labor disputes, the brotherhoods favoring, the A. F. of L. opposing it. This is a difference of long standing, and, together with the brotherhoods' independent strength, has kept them from formal affiliation with the A. F. of L.

### Labor's Political Activities

In striving to realize its aims and purposes through legislation, labor has followed the pattern of other organized groups. Instead of organizing a political party, the A. F. of L. has exerted pressure on Congress through a lobby. This has been the case, too, with the railroad brotherhoods. The C.I.O. unions have in general employed the same method, although among them the urge for a separate labor party has been strong.

This urge has found expression in New York in the American Labor Party, which polled nearly half a million votes in the New York City mayoralty election in 1937 and again in 1941. The nucleus of the party was formed from members of the International Ladies' Garment Workers' Union and other unions affiliated with the C.I.O., which before their expulsion

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\*The International Ladies' Garment Workers' Union returned as a unit. The United Textile Workers split into the Textile Workers Union of America, a C.I.O. union, and the United Textile Workers, which affiliated with the A. F. of L. The International Typographical Union has assumed a semi-independent status.

from the A. F. of L. had favored the formation of a separate labor party.

Labor usually, however, has been nonpartisan. It has given no commitment to either the Republican or the Democratic Party, and has followed the principle of "rewarding its friends and punishing its enemies." In practice this has meant two kinds of activities — political campaigning and legislative lobbying.

Through the activities of the national nonpartisan political campaign committee, the A. F. of L. attempts to seat "labor" Congressmen and Senators. On rare occasions it nominates an independent candidate, but generally supports regular party candidates who declare themselves in sympathy with labor's program. The committee questions these candidates for Congress as to their stand on remedial legislation, and, where candidates are standing for re-election, prepares a record of their votes on labor legislation. Moreover, the records of candidates for President and Vice-President are printed, as well as those party platform provisions which are favorable or unfavorable to labor. All these records are furnished to the different constituent units, and, indeed, to everyone requesting the information. On the basis of these records the A. F. of L. calls upon "the workers of our common country to stand faithfully by our friends, oppose our enemies and defeat them, whether they be candidates for President, for Congress, or other offices, whether executive, legislative, or judicial." A similar function has been performed for the C.I.O. by Labor's Non-Partisan League, which has on occasion made substantial contributions to the Democratic National Committee. The activities of the railroad brotherhoods in trying to elect sympathetic legislators are not unlike those of the A. F. of L.

All three sectors of organized labor maintain legislative committees in Washington. Their pattern of action may be described briefly by referring to A. F. of L. procedure. Each year at the A. F. of L. convention in October, the executive committee guides the convention's action by recommendations for the following year's legislative program. The work of the

legislative committee is to carry out this program as far as possible. Much of its effectiveness depends in the final analysis on the personalities of the committee membership and of the executive council. Pressure is brought to bear on legislators and administrators in many ways. It is exerted through general publicity, encouragement of union members to bring pressure on their Congressmen, conferences with legislators, drafting of bills, supporting candidates for Congressional committees, providing Congressmen with speech material, publication of legislative records, cooperation with other groups in the interest of desired legislation, interviews with the President, and contact with various administrative authorities. Thus the A. F. of L. applies pressure to supplement its policy of rewarding its friends and punishing its enemies.

## OPEN VS. HIDDEN PRESSURE

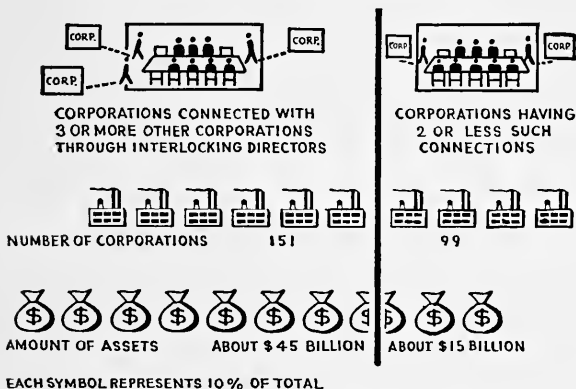
FOR many years representatives of the National Association of Manufacturers have appeared before Congressional committees and have openly presented the association's views on pending legislation. There can be little criticism of this. But the propaganda activities of the N.A.M. fall in a different category. The La Follette Civil Liberties Committee found that between 1933 and 1938 the association "blanketed the country with a propaganda which in technique has relied upon indirection of meaning, and in presentation upon secrecy and deception. Radio speeches, public meetings, news cartoons, editorials, advertising, motion pictures, and many other artifices of propaganda have not in most instances disclosed to the public their origin with the association . . ." The Committee found, furthermore, that "the purpose of this prodigious effort is in part to forestall union organization, and in part to sway public opinion in favor of a legislative program approved by the large corporations which control the association and to influence the electorate in its choice of candidates for office." In the opinion of the N.A.M., the expenditure was



well made: "... officials of the association have boasted that its propaganda has influenced the political opinions of millions of citizens, and affected their choice of candidates for federal offices."

## INTERLOCKING DIRECTORSHIPS

OF 200 LARGEST NONFINANCIAL CORPORATIONS  
AND 50 LARGEST FINANCIAL CORPORATIONS



GRAPHIC ASSOCIATES FOR PUBLIC AFFAIRS COMMITTEE, INC.

Sometimes the origins of political pressure and propaganda are known; sometimes they are hidden. In the former situation, the political process unfolds openly, and citizens are aware of the forces at work or, at least, can make themselves aware of them. In the latter, however, citizens have to form their judgments and perform their duties in ignorance of the political forces working on them. A vital element of the democratic process — information — is lacking. It is obvious, therefore, that pressure groups which work underground carry a serious threat to the democratic process.

This combination of open pressure and hidden propa-

ganda may be found in the work of many other organizations. Views of the railroads are presented to Congress by representatives of the Association of American Railroads. In addition, these views are spread to the country at large through state and local organizations. But it was a long time before that fact was discovered. The Railroad Securities Owners' Association and the Fuel Power Educational Foundation are examples of organizations set up and financed, at least in part, by the Association of American Railroads. They have prepared and circulated among labor groups, farmers, shippers, and investors, the Association's views on various phases of the railroad problem. Representatives of the American Bankers' Association convey publicly bankers' views to Congress. But the hand of the American Bankers' Association is deliberately left undisclosed when "plain language" talks prepared by the American Bankers' Association's public education commission are given by bankers and lay speakers before schools and civic clubs and over the radio.

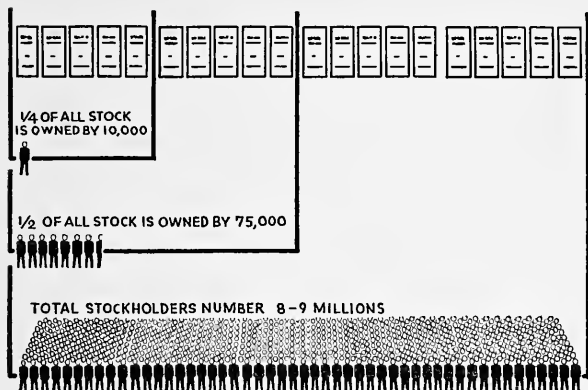
## WHEN IS GROUP PRESSURE BAD?

FEW citizens object to pressure groups appearing openly to urge their programs on voters, on Congress, the administrative agencies, and the courts. Nor do they object to the spreading of opinion when its source is clear. Such an interchange plays an important role in the democratic process. But when groups operate through "fronts" as well as in the open, and when they employ all the devices of modern propaganda without telling its origin, citizens will rightly question the desirability of this conduct.

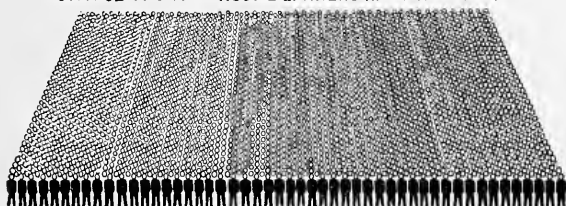
### Economic Power Wielded By A Few

Many persons regard business pressure as peculiarly dangerous to democracy because economic power is in the hands of a comparatively few persons. President Roosevelt in his message to Congress of April 20, 1938, asked for "a thorough

# CONCENTRATION OF STOCK OWNERSHIP



SOME 32 MILLION INCOME EARNERS HAVE NO STOCK



GRAPHIC ASSOCIATES FOR PUBLIC AFFAIRS COMMITTEE, INC.

study of the concentration of economic power in American industry. . . ." He drew attention to the fact that 5 per cent of the corporations reporting incomes to the federal government in 1935 owned nearly 80 per cent of the total assets, while less than 4 per cent of the manufacturing corporations reporting earned 84 per cent of the net profits.

Other evidences of this concentration were found as a result of the studies made under the auspices of the Tem-

porary National Economic Committee, which was authorized and set up by Congress on the President's recommendation. When a small number of concerns manufactures the bulk of a given product, there is obviously a high degree of concentration. In nearly three-quarters of the industries, over half the number of products were made by the four largest concerns. These industries accounted for one-half the value of all manufactured products.

Stock ownership shows the same tendency. It was found that only 8 to 9 million Americans owned stock, a smaller number than was generally believed. More important, the ownership of stock is itself highly concentrated. It is estimated that 10,000 persons own one-fourth, and 75,000 persons own one-half of all corporate stock held by individuals in this country. In the typical corporation, the majority of the voting power is in the hands of not much more than one per cent of the stockholders.

Two other facts are important — the minute number of citizens in control of corporate policy and the extent of interlocking directorships. The 200 largest nonfinancial and the 50 largest financial corporations in 1935 controlled over \$60,000,000,000 worth of physical assets. On the boards of these corporations were 3,544 directorships. These were held by 2,725 individual directors. Out of these 250 corporations, 151 were interlocked with at least three others in the group. The assets of these 151 companies amounted to nearly three-fourths of the combined assets of the 250.

The location of economic power has been summed up by the T.N.E.C. in its report to Congress. "We know," it said, "that most of the wealth and income of the country is owned by a few large corporations, that these corporations in turn are owned by an infinitesimally small number of people, and that the profits from the operation of these corporations go to a very small group. . . ." This conclusion, reached after nearly three years of exhaustive study, indicates that in competition with other groups the pressure groups of the well-to-do enjoy an immense advantage.

## General Public Ignored

Still another effect of gathering the power of our economy into fewer hands can be seen in the tendency of pressure groups to ignore the general welfare. Sooner or later this tendency shows itself in all the major groups. If it appeared first among businessmen, it was because of the circumstances of our economic development. The development of large-scale industry gave businessmen tempting opportunities to misuse economic power before farmers or labor had such opportunities.

But among farm and labor groups the tendency is beginning to assert itself. As war expenditures mount and prices rise, farmers have strenuously resisted proposals to fix farm prices. Labor groups have similarly resisted all proposals that wages be fixed as well as commodity prices and rents. Whether the proposals are economically sound is beside the point. They are rarely argued on their merits. These two groups, now tasting a little of the power which caused business to forget the general welfare in its absorption with its own, are likewise forgetting the general welfare in their claims to special treatment.

Perhaps this should not cause surprise in view of the way in which the business community has long identified the nation's welfare with its own. Business has been extraordinarily successful in selling that idea to the country. Never was it better epitomized than in President Calvin Coolidge's utterance, "The business of America is business."

In viewing the nation's welfare in terms of their own welfare, as they see it, farmers and wage earners, sharecroppers and consumers are merely following a course made respectable by organized business. But it is a course of doubtful wisdom.

For decades many phases of the nation's policy — patents, fiscal measures, monetary policy, among others — have borne the imprint of business desires, shaped and given substance by Congress and the courts at the instance of business. The T. N. E. C. studies show that these policies have speeded up the

process of putting economic power in a few hands, which, to quote from the Committee's report, is "undermining the foundations of both free enterprise and free government."

From the national point of view, the policy of governing in the interests of a group as if they were the interests of all has been most unfortunate. Nor has the situation improved now that additional groups are using the kind of tactics so long used by business, and are now competing with business for the privilege of using governmental power on their own behalf. Business resists and resents the entrance of farmers and of labor into the field of national policymaking. Unable to gain their demands by other methods, farmers and wage earners in turn redouble their efforts to obtain favorable legislation. In such a situation Congress becomes a cockpit of pressure politics.

### **Centralization in the Government**

As a result of increasing pressures from all directions, the federal government has assumed more and more tasks. "The concentration of economic power and wealth in private hands," the T.N.E.C. reported to Congress, "has been accompanied by the steady concentration of political power in the government establishment at Washington." The nationwide scope of operations of our large industrial units renders state and local authority of but limited usefulness. In such a situation only the federal government can take action. Much of the pressure for such action comes from groups such as wage earners and farmers, whose interests have been threatened by the monopolistic practices of business.

Such, at least, is the view of the T.N.E.C. In its report to Congress it states: "This centralism which threatens us appeared first in business, but now it manifests itself in almost every activity. Because of the concentration of economic power in the organizations which dominate commerce and industry, we have found individuals forming new national organizations to deal with new problems. First are the national trade associations established and maintained by dealers and manufac-

turers in many lines. Commercial organizations have become regional and even national. Farmers have their national farm organizations to protect their interests in the field of national business. Finally, organized labor, which was first purely local and then became a national federation of local unions, produced a wholly national organization which was designed to cover the same areas covered by big business and big government. . . .”

## WHAT IS THE REMEDY?

WHAT can be done to correct the undesirable features of group political pressures? Pressure groups are a normal part of 20th century American politics. Obviously, there is no single remedy. Much of the problem is bound up with the way modern business is organized. To deal with it, a broad-gauged program of business reform is required.

If voluntary associations are to make a maximum contribution to the democratic process, they ought to represent democratic management in their own internal affairs. Actually, one of the great problems of our time is that of creating real democracy in the groups through which individuals work in our society. The almost totalitarian character of control in many segments of our economic and political life endangers the future of responsible government.

### Business Reform

Pressures upon government would probably be reduced or at least equalized if the reforms of business recommended by the T.N.E.C. were adopted. Among them are such proposals as the adoption of national standards for national corporations and economic organizations, the overhauling of the patent system, and stricter control of business mergers; together with tighter enforcement of the antitrust laws and more effective regulation of the insurance business.

In advance of the adoption of such a program, it is hard to

predict what its effect would be upon the political pressures generated by and resulting from concentrated economic power. It would no doubt relax the grip of "big business," thus increasing the relative strength of working people and of farmers. This shift would have political effects and bring about a more nearly equal distribution of pressures upon government. This might result in more antibusiness legislation. But it would probably be offset by an increase in propaganda from business organizations, particularly propaganda of the kind which does not disclose its origins. Such was the result in 1933 when business lost ground politically to farmers and to labor.

### **A Check to Abuse of Economic Power**

In itself, economic power is not undemocratic. Nor does its concentration in a few hands necessarily destroy the whole democratic process. Such a development creates obstacles to the smooth working of representative government, but when those who control economic power use it secretly to manipulate public opinion, they are attacking democracy at its most vital point. Exposing the means of such manipulation would put citizens in a position to check such abuses.

### **More Facts**

To correct the bad effects of political pressures we need more facts, facts which disclose the extent to which political lobbying and propaganda are carried on and the name of the responsible persons or organizations.

Congress has itself recognized this need and has made several attempts to supply it. Three major efforts have been made over the last thirty years — in 1913, 1927, and 1936 — to enact laws requiring the registration of lobbyists. In each case the attempt followed the disclosure by a Congressional committee of widespread lobbying and propagandizing by a powerful part of the business community.

Although recognizing the problem, the T.N.E.C. did not deal with it directly. In its report it stated that "... one result



of the development of centralism is that individuals are no longer in contact with information which is essential to the formation of policy vital to their existence." However, it believed that a great deal of valuable information on lobbying and political propaganda would become available by the registration of all trade associations whose participating members are engaged in interstate commerce. According to the terms of a bill introduced in January, 1942, by Representative Carl Vinson of Georgia, House Naval Affairs Committee Chairman, labor organizations, as well as business and trade associations, would be required to register with the Department of Commerce. Senator O'Mahoney of Wyoming, chairman of the T.N.E.C., has recommended personally that Congress should by law lay down definite standards of organization and activity for pressure groups of all kinds, including corporate business and industrial organizations, seeing in these varied groups "a result of economic concentration."

### Timely Facts

Equally important with getting the facts is getting them while they are still timely. Often the bad effects of group pressures can be overcome if the facts become public before they are "cold."

In this connection the newspapers can render public service of the highest type. We have already had many examples of papers which have uncovered the lobbying and propaganda activities of foreign government agents as well as those paid for by domestic interests.

Of even greater value is the Congressional investigating committee, with its authority to call witnesses and take testimony. Sometimes such committees turn into political "fishing expeditions," and they are rarely free from criticism on these grounds. By and large, however, their effect upon the political process is good. They frequently do their best in uncovering the origins of lobbying and of political propaganda. Here their job is unique. They can investigate the acts of private individuals and groups and also of government officials, expose

them to public view, and create the opportunity for public opinion to be heard. The Truman Committee, investigating the national defense program, for example, points out that a constant check should be made of the activities of the defense agencies during the actual course of the war when it is possible for the Congress to require remedial action to be taken before it is too late. Such a check "restrains and modifies the more intemperate and unjustified requests of business or labor for special treatment to which they are not entitled. Public officials constantly have before them the knowledge that their acts or failures to act may be subjected to public scrutiny."

### **Group Interests Subordinate to the National Interest**

In time of war, as in peace, group interests must give way to the national interest. Otherwise we run risks which are needlessly high. In peacetime we risk sacrificing our heritage of economic equality with its possibilities of economic democracy. In wartime, we risk even more — our freedom and independence as a nation. Our American democracy is being tested today on the battlefields. It is being tested, too, in Washington and wherever the representatives of labor, of business, of agriculture—of all the groups making up America—meet around the conference table to adjust their respective interests to the demands of the larger interests of the nation.

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